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OFFICE OF
**INSPECTOR
GENERAL**
UNITED STATES POSTAL SERVICE

HIGHLIGHTS

Using U.S. Postal Service-Specific Assumptions for Calculating the Federal Employees Retirement System Liability

Report Number FT-MA-13-024

BACKGROUND:

The Federal Employees Retirement System (FERS) is a pension program offered to employees of the U.S. Postal Service and federal agencies. The Postal Service and its employees contribute to the pension program for future benefits. The U.S. Office of Personnel Management (OPM) administers the FERS.

As of September 30, 2012, the OPM projected a \$3 billion FERS surplus. The U.S. Postal Service Office of Inspector General previously analyzed Postal Service funding levels and compared them to federal and state governments, the military, and corporations. Those comparisons showed the Postal Service funded its retirement liabilities at a substantially higher level than the other organizations. Additionally, we reported on the causes of the FERS surplus. Using the research results, we analyzed how the causes contributed to the surplus and impacted the Postal Service liability.

Our objective was to review the assumptions used for the Postal Service's FERS liability calculation and determine what effect those assumptions may have on the FERS liability calculation estimate.

WHAT THE OIG FOUND:

Postal Service employees have distinguishing employee characteristics (salary growth, termination, retirement, disability, death, and life expectancy) that the OPM does not take into consideration when applying actuarial assumptions. These characteristics, as well as other non-employee factors, impact the FERS liability calculation. Currently, the OPM uses the same actuarial assumptions for Postal Service and federal employees without regard to the characteristic differences between them.

Using Postal Service-specific actuarial assumptions, the liability would be reduced by an additional \$9.5 billion, from \$90.5 billion to \$81 billion, resulting in a total surplus of \$12.5 billion. Accordingly, the Postal Service could achieve a more accurate liability estimate that more closely aligns with future benefits.

WHAT THE OIG RECOMMENDED:

We recommended management coordinate with the OPM to modify the future FERS liability calculation using actuarial assumptions specific to the Postal Service and, based on the results, take action as appropriate.